GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1965
ANSWERED ON:26.07.2002
CEILING FOR PORTFOLIO INVESTMENT
V. VETRISELVAN

Will the Minister of FINANCE be pleased to state:

(a) whether the Government have made certain amendments in FEMA Regulation during 2001 and issued guidelines to enhance the aggregate ceiling for portfolio investment by Foreign Institutional Investors from 40 percent to 49 percent of the issued and paid up capital of an Indian company;

(b) if so, the details thereof; and

(c) the extent to which the capital market has been benefited by increasing this limit?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (ANANT G. GEETE)

(a) & (b) : Yes, Sir. Consequent to the announcement made in the Budget Speech 2001-02, the Indian companies were permitted to enhance the normal aggregate portfolio investment limit from 24% to 49% under specified special procedure. In September, 2001, the upper limit of 49% was further raised upto the applicable Sectoral Cap levels, under specified special procedure.

(c) While several factors influence the market trends/sentiments, the above measures also could enhance the liquidity in the secondary markets.